

Ranking Member Frank Pallone, Jr.
House Energy and Commerce Committee
Subcommittee on Health Hearing
“Examining Reforms to Improve the Medicare Part B Drug Program for Seniors”
June 28, 2013

Statement for the Record

Thank you Chairman Pitts, and thank you for holding this hearing today. Medicare reimburses for prescription drugs in two settings. Outpatient prescription drugs are covered by Medicare Part D, while prescription drugs administered in a physician’s office are paid for by Medicare Part B. This is a critical benefit that allows seniors to have access to physician-administered drugs which are most commonly cancer drugs used for chemotherapy and its related side effects or drugs to treat other serious illnesses.

Congress has debated for years on whether Medicare can save more money on the drugs it pays for through the Part B program. Under the Medicare Modernization Act of 2003, to address widespread spending growth, we changed paying physicians based off of the manufacturer's Average Wholesale Price (AWP), which was often inflated, to a payment based on a manufacturer’s Average Sales Price, or ASP. Today, a doctor is reimbursed ASP + 6%—an amount much more reflective of the actual price manufacturers receive for their products.

The new system has been working. But according to stakeholders and industry leaders, challenges with the ASP+6% reimbursement policy still exist. In addition, some believe that there is a growing shift from receiving this care in a community physician setting to a hospital outpatient setting—a trend which, if based on fact, would have implications to the overall spending of the Medicare program.

Now, I know there are a number of members of our Committee who have taken an interest in this area, some who would like the current system to be amended further. In addition, many stakeholders, some of who are here today, have outlined additional challenges with the reimbursement structure of Part B.

For example, Oncologists are concerned about prompt pay discounts provided to wholesalers by manufacturers for paying within a specified time window. These discounts are not necessarily passed on to physicians when they purchase drugs from the wholesalers, but do have the effect of lowering the ASP reimbursement rate. Accordingly, Oncologists would like to see prompt pay

discounts excluded from the ASP calculation. Of course, when it comes to seriously ill cancer patients, we want to ensure they have access to the best care and the best drug for their individual circumstances. So we should certainly tread with caution if there is credible evidence that lowering reimbursement could create market disruptions and result in Oncologist practices closing, thereby limiting Medicare access for seriously ill cancer patients.

Now, as we all know, sequestration has resulted in a two percent across the board cut to Medicare. This includes a cut to Part B drugs. While I believe it is extremely important for seniors to have access to these lifesaving drugs, I do not agree with the approach that we should lift sequestration piecemeal like based on individual member bills. That approach is simply disingenuous.

I opposed sequestration since it was first conceived. The idea that across the board, blind cuts could be used as a vehicle to reduce spending is foolhardy and dangerous. The case of Part B drugs shows just that. I recognized that sequestration would have real world effects, which is why I voted against the set of indiscriminate federal budget cuts. It is hypocritical that the same Members who voted in favor of the Budget Control Act of 2011 are now turning around and introducing legislation to reverse cuts on specific portions of the system. By pursuing a piecemeal approach to fix sequestration, we are being asked to place a higher value on some services than others. These cuts seriously hurt our economy, debilitate programs Americans rely on, and put our public safety at risk. Access to Part B drugs by our nation's seniors is just one example of the negative impact of sequestration on the daily lives of constituents in every one of our districts. We need a long term fix that truly addresses the budget in its entirety.

Thank you.